

## **Chairman's Speech at 30<sup>th</sup> AGM 2016**

Ladies & Gentlemen,

With great pleasure, I welcome you all to this 30<sup>th</sup> Annual General Meeting of your Company. The Notice of 30<sup>th</sup> Annual General Meeting have been with you for some time. With your kind consent, I shall take it as read.

### **ECONOMIC SCENARIO & OUTLOOK**

Developed economies are witnessing low interest rate, inflation and low growth rate of GDP, whereas emerging economics have shown higher growth rate, but generally it has been a difficult year for global economy. India has emerged as one of the fastest growing major economy in the world. The Indian economy is anticipated to grow 7 per cent in 2016-2017. FDI inflows have substantially increased.

### **INDIAN STEEL INDUSTRY**

India is the world's third-largest producer of crude steel (up from eighth in 2003) and is expected to become the second-largest producer by FY 2016 - 2017. The growth in the Indian steel

sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output. India's crude steel capacity reached 109.85 Million Tonnes (MT), whereas Consumption of total finished steel recorded 76.99 MT. The Government of India is aiming to scale up steel production in the country to 300 MT by 2025.

### **OVERALL PERFORMANCE**

During the financial year under review, the profitability of Steel industry is shrinking across India due to sluggish market demand and onslaught of high imports. Even though the raw material prices have gone down, the same was not enough to maintain margins given the decrease in steel prices. Pick-up in steel demand in the domestic market has been slower than expected, hence production was less than installed capacity.

However, with the continuous efforts of the management, the Company with lower revenue from operations of Rs. 1661.28 Crores as against Rs. 1756.59 Crores, has succeeded to earn a Net Profit after Tax of Rs. 57.34 Crores as against Rs. 24.41 of corresponding previous financial year. The trend seems to be continued.

## **PROJECTS AT STEEL PLANT :**

### **Pulverized Coal Injection**

Pulverized coal injection system in the Blast Furnace will reduce the energy consumption as well coke consumption. It is expected to reduce coke consumption to the tune of 80 kg to 100 kg per ton of hot metal.

### **Sinter Plant Expansion**

The expansion is proposed to increase sinter as input to MBF with a view to reduce overall cost of hot metal. It is also expected to set better yield. After implementation of this system in the MBF, we expect the reduction in cost of production.

### **Refurbishing of Blast furnace**

The campaign life of refractories in the blast furnace need to be refurbished in view of its age and to also improve productivity. The existing refractories are installed at the time of blast furnace commissioned in 2007, therefore to avoid break down resulting into production loss, it is inevitable to refurbish these refractories.

## **Installation of Boiler Converter**

The Company presently having a Waste heat Recovery boiler to generate power for captive consumption with a capacity to generate power to the extent of 8 MW to 12 MW. As per the existing facilities, the power is generated using waste hot gas emanating from our Sponge Plant. However, in view of limited usage of sponge iron, at times, the boiler remains idle resulting into non-productive. It is therefore proposed to install a convertor to use this boiler as coal based so as to get minimum 8 MW power for captive consumption. Presently the Company is purchasing power for the State Electricity Company at a cost of Rs.7.50 per kWh as against the captive cost of generation of about Rs.3.60 per kWh.

The aforesaid projects are expected to be commissioned in the financial year 2017 – 2018.

## **SUBSIDIARY AND JOINT VENTURE (ASSOCIATE) COMPANY**

Recently, your Company has signed a shareholder's agreement with Stumpp, Schuele & Somappa Springs Private Limited, Bangaluru to incorporate a Joint Venture (JV) Company. The

primary (main) object of the JV Company shall be to manufacture of high quality Alloy Steel Wire and related products. For that purpose, the JV Company shall setup its manufacturing unit at Bhandara in the State of Maharashtra and will use the product manufactured by Sunflag as its basic raw materials.

### **DIVIDEND**

The investments in CAPEX would further improve the strength of the Company and benefitted to the shareholders through reflection in share price. With need of finance for the projects, the Board did not feel prudent to declare dividend.

### **CORPORATE GOVERNANCE**

At **SUNFLAG STEEL**, we believe that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics and our mission to create value for all our stakeholders.

## **ACKNOWLEDGEMENTS :**

Before I conclude, I gratefully acknowledge the assistance and support extended to the Company by all the Banks and Government agencies, who have stood by the Company, with their continued support. I sincerely thank all my colleagues on the Board for their valuable advice and co-operation.

Also, let me express my heartfelt thanks to every stakeholder for standing by your Company in times of need, assuming responsibilities of true partnerships. I state my admiration for employees, management and union, for their single-minded commitment to **SUNFLAG**.

Due to health and personal reason following directors are unable to attend this AGM viz., Mr. P.B. Bhardwaj, Chairman, and Mr. V. K. Kapur, Alternate Director to Chairman, Dr. E. R. C. Shekar and CA. Jayesh M Parmar, Non-Executive Independent Director /s of the Company.

Thank you,

**Ravi Bhushan Bhardwaj**

**Vice-Chairman**

**23<sup>rd</sup> September 2016**